

## INTEREST GROUPS AND GOVERNMENT POLICY IN MALAYSIA

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The traditional manner of analyzing the functions of organized private interest groups in modern democratic systems has primarily centered upon an assessment of the efforts of organizations to influence the input functions of government, i.e., to study the means by which various types of pressure groups attempt to create an impact upon voters, legislators, the executive branch and, in some cases, the judiciary. Analysis has concentrated upon methods of influencing the formulation of laws and regulations whose effect might be to aid or injure the organization involved. In this study of the interaction between the public and private sectors in Malaysia, I seek to analyze the extent to which this pattern of influence is also present in a developing democratic system. It is the contention of this paper that, in fact, the Malaysian firm or organization is primarily interested in influencing the output rather than the input functions of government; i.e., it seeks to decide how laws and regulations already formulated shall affect the organization. Thus, influence is directed more at the implementation of laws and rules by the administrative elements of government. In an effort to elucidate this practice, the study will investigate types of contacts between government and the private sector, attitudes of the private sector towards government, and methods of influence. The focus will be primarily upon the industrialization and development policies of the Malaysian government, both programs with income re-distribution goals.

Malaysia provides an interesting comparison with western democratic states. It is one of the few Afro-Asian countries with competitive political parties, a working parliamentary system, and public support of both Western and national entrepreneurial activities. A pluralist society, Malaysia accepts economic and political activities by private organizations within certain constitutional limits. Thus there exist functional interest groups representing various economic and social activities: tin and rubber producers, Chinese and Indian chambers of commerce, and educational organizations, as well as private firms. Like the United States, but unlike many of its Asian neigh-

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bors, Malaysia does not have functional group representation as such in its legislature. Although official interest groups, particularly parties and the civil service, have a prominent part in the political system, this paper will concentrate on private organizations.

#### METHOD

The basic assertions made in this paper have been derived from two surveys carried out in Malaysia during 1973. The first was of two hundred twenty-eight of the thousand largest companies in West Malaysia and seventeen associations (such as chambers of commerce) throughout West Malaysia. In 82% of the encounters, a top-level man in the organization was interviewed. The sample was selected to reflect geographic distribution (somewhat weighted in order to obtain representation from the entire peninsula), ownership (local, foreign, and joint enterprises), race of owner, and types of businesses (associations, processing of primary products, western trading companies, Asian trading companies, food manufacturing, engineering, other manufacturing, service industries, and financial institutions).<sup>1</sup> The survey had a high proportion of open-end questions, which were coded after field work was completed. The survey sought answers on sources of information on government policies, type and frequency of contact with various elements of government, awareness and attitudes toward Malaysian government economic policies (with particular emphasis upon the New Economic Policy<sup>2</sup>), and problems in dealing with government.

The second survey was of thirty-six firms in two industrial estates and one Free Trade Zone in Penang. This was an in-depth survey carried out with the aid of students from the Universiti Sains Malaysia, and it incorporated firm histories. Managers or owners and a sample of workers were interviewed to assess their experiences in the development of new industrial enterprises or the expansion of old ones. Two general lines of questioning were the focus of this survey: 1) the experiences of regionally based firms with government, and 2) the extent to which the industrial development program in Penang related to the overall Malaysian plan to eradicate poverty and raise the standards of the Malays through the NEP. Beyond these two surveys analysis was also made of membership of boards of companies and the history of industrial development in Malaysia; additional interviewing took place in 1974-75. The research design was developed to provide economic and social analysts in the Rice University Income Distribution Program with the political bases for decision-making on economic policies in Malaysia.

Interviews in both cases were carried out by university students trained and supervised by the author and/or a commercial survey firm. Considerable care was taken to allay suspicions of firms, and prior to interviews managers were informed by letter as to the nature of the study and the

anonymity of their answers. A high percentage agreed to participate although local Chinese were less willing than other managers to be involved. Interviews were given in the language of the respondent and generally lasted fifty minutes in the national sample. The Penang study respondents were often interviewed several times over a four week period.

#### INFORMATION FOR DECISION-MAKING

In order that groups be able to influence policy, it is necessary that they have access to data on government policies and regulations, and the ability and desire to employ that information. A very high percentage (87%) of firms interviewed noted that they kept informed of national government matters. On close scrutiny, however, a pattern can be discerned which was mirrored throughout the interviews. Knowledge and use of information about government programs in Malaysia are weighted in favor of firms characterized by non-Chinese, foreign, or joint venture ownership, and by residence around the capital city state of Selangor. While variations are not great, they do display significant geographic and ownership biases, particularly if such attempts to keep informed were regular.

TABLE I  
MANAGEMENT INFORMED OF FEDERAL GOVERNMENT MATTERS  
(In percentages)

	Ownership Local	Foreign	Joint	Selangor	Rest W. Malaysia	Chinese	Others
Do keep informed	83	90	95	91	83	82	97
Do not keep informed	17	10	5	9	17	18	3
Informed on regular basis	68	81	89	79	70	65	92
Informed irregularly	15	10	6	12	13	16	5

A much higher percentage of managers in firms with foreign ownership was involved in gathering and maintaining knowledge than the percentage of managers in locally owned firms, underlining the importance to such businesses of regular information.

Part of the explanation for these variations was to be found in geographic location, the language difficulties, and the character of the firm. Those outside the capital found it less easy to maintain regular access to the national government, but it should be noted that firms in the distant East Coast states were better informed on state matters than those in Selangor. Chinese firms reported finding it difficult because of the language barrier to understand government publications written in Malay or English or to discuss issues with officials. Finally, the character of the firms is an important variable. Foreign multi-nationals or agency houses have developed long experience in gathering commercial data, and joint venture firms have often been

closely tied to government programs or have been formed under official auspices. The Chinese firm has traditionally believed it to be wise to stay clear of government except when necessary. It has depended upon its associations or third parties rather than officials. This attitude is changing, and Penang Chinese respondents reported a desire to gain better access to government, but were hobbled by lack of knowledge as to points of contact.

#### PERSONAL CONTACT

While we have noted the high degree of interest in data among large firms in Malaysia, the traditional picture of influence in Asia has been personal contact between businessmen and officials. It is here that we begin to see the evidence against the hypothesis that in Malaysia the interest group primarily attempts to influence the input functions of government. In the national survey of large firms, contacts with two types of government officials were investigated: 1) non-civil service, and 2) civil service or members of quasi-government authorities. The former would be considered those approached as political contacts, including federal and state ministers, members of parliament, ambassadors, or royalty. Slightly less than 50% of almost all categories had contact with this group, most notably with ministers, MPs, and state representatives (table 2). Interestingly, although foreign firms maintained closer touch with published data, they were significantly less

TABLE 2  
CONTACT WITH NON-CIVIL SERVICE MEMBERS OF GOVERNMENT  
(In percentages)

	Total Firms	Associ- ations	Local	Foreign	Joint	Chinese	Other	Selangor	Rest
Have contact	45	71	49	32	48	46	47	40	52
Do not have contact	55	29	51	68	52	54	53	60	48

involved in political contacts. While the total percentage of firms with such contacts was 45% and associations displayed a high 71%, only 32% of foreign firms admitted to relationships of this kind. In this we can see a caution, probably combined with a lack of experience, in dealing with political figures in Malaysia. In any case, they were consistently less likely to deal with ministers, MPs, and state representatives informally than were other groups (no foreign firm would admit to informal entertaining of those specifically described as "politicians"). The type of interaction with MPs and senators, for example, was primarily through direct formal contact or letter (averaging 20% of all respondents) and informal entertainment (averaging 12% of all firms, but ranging from 6% for foreign firms to 15% for joint

venture firms). Informal entertainment was the most notable means of contact with state representatives, but averaged 12% (from 3% with foreign firms to 14% for local firms). No category of those surveyed stated that contact with non-civil servants was very frequent, the majority saying it was less than once in six months.<sup>3</sup>

Thus the data from this survey showed low contact with those political leaders responsible for the promulgation of laws and regulations. Less than 25% of the firms or associations admitted to contact with MPs, for example. Several firms had MPs on their boards of directors, but the usual comment was that they had not proved "useful." While we may question the veracity of some of the answers, they do tend to validate the point that comparatively little public effort is made to influence the input functions of government in Malaysia.

If, as we hypothesize, primary emphasis is on influencing the output functions of government, then contacts with civil servants and members of quasi-government authorities would be much higher. Care should be taken to avoid extrapolating too much from the figures that follow, since doing business in most countries entails frequent contact with government functionaries with regard to licenses, taxes, permits, etc. Still approximately twice as many firms reported contacts with civil servants and quasi-government officers as with political authorities.

TABLE 3  
CONTACT WITH THE CIVIL SERVICE AND QUASI-GOVERNMENTAL AUTHORITIES  
(In percentages)

	Total Firms	Associ- ations	Local	Foreign	Joint	Chinese	Other	Selangor	Rest
Have contact	93	93	93	94	94	92	95	93	94
Do not have contact	7	7	7	6	6	8	5	7	6

As can be seen from table 3, there was little variation among types of firms in the sample. Among firms in the Penang sample with fewer workers, a significantly smaller number of Chinese firms reported contact with civil servants, but the pattern was more a question of frequency of contact. Not only was there a more general reporting of contact with civil servants in the total sample, but also such contact was considerably more frequent than contact with politically-oriented individuals.

#### COOPERATION WITH OTHER COMPANIES

A final and important area of contact for those interested in influencing government is joint action among firms with common interests. This can

be particularly effective in affecting the input functions of government, as can be seen in the United States through the National Association of Manufacturers, commodity associations, professional groups, and so forth. This was not a common practice in Malaysia, where less than a quarter of the firms reported such activities (see table 4).

TABLE 4  
COOPERATION WITH OTHER COMPANIES ON GOVERNMENT MATTERS  
(In percentages)

	Total Firms	Associations	Local	Foreign	Joint	Chinese	Other	Selangor	Rest
Cooperation	21	53	23	16	27	22	25	21	25
Do not have cooperation	79	47	77	84	73	78	75	79	75

The researchers were rather surprised at the low percentage of cooperation among associations, but the apparent result may be due to conscious false under-reporting. Many firms, however, reported privately that communal associations were not very effective, and poorer Penang firm managers noted that fees for the large manufacturing associations were too high—thus they did not attempt to join.

As interesting were the types of firms with whom they reportedly cooperated. Only 10% of the firms in the national sample stated that they cooperated with companies in the same field, and no foreign firm so stated. The latter statement is particularly suspect, as in Penang the greatest cooperation in the area was among foreign electronics firms over problems with labor and government-provided infrastructure. Also notable is the fact that only one percent of the Chinese firms were prepared to state that they cooperated with associations. It is my view that this type of interaction was severely under-reported, perhaps because interviewees feared being charged with illegal collusion.

When we attempted to pursue the issue by asking if firms used non-governmental groups for assistance when they had an interest in a particular government activity, a somewhat different picture appeared. Approximately two-fifths of our respondents in the national sample answered affirmatively to the question, "More particularly when your company (org.) has an interest in a specific government activity, do you contact any nongovernmental group for assistance?" Percentages ranged from 37% to 46%, except for Chinese firms, of which only 32% were willing to answer affirmatively.

What emerges from this questioning of heads of firms is high awareness of government programs, infrequent contact with officials on the input side of government but considerable contact with administrators, low reported cooperation with other firms in influencing government but a rather high

percentage prepared to admit to the use of private go-betweens in dealing with specific government problems. We can conjecture that considerably more cooperation with other companies and contact with politicians takes place than was admitted to the interviewers.

#### RESULTS OF INFORMATION AND CONTACTS

Two areas of results from information and contacts were investigated: the obtaining of government contracts and the question of self-efficacy. We wished to discover whether a particular type of organization was better informed, more aware and more capable of gaining the rewards of data and contacts than other types. First, approximately 27% of all firms directly or indirectly participate in federal government projects (see table 5), with a somewhat lower percentage involved in state projects (approximately 22%).

TABLE 5  
PARTICIPATION IN FEDERAL GOVERNMENT PROJECTS  
(In percentages)

	Total firms	Local	Foreign	Joint	Chinese	Other	Selangor	Rest
Direct current participation	21	19	16	31	16	18	25	12
Indirect—reap benefits	6	6	13	2	4	9	4	7

It is significant that firms owned by local Chinese and firms based in outlying areas have been less fortunate than others in securing government contracts, and that joint venture firms are more successful. In part, this is a result of official efforts to aid Malay firms and government participation in joint venture projects with foreign firms. The lower Chinese participation is also partially due to the fact that a significantly lower percentage of Chinese firms are aware of government projects (only 66% as against 87% for firms owned by other nationalities). As well, foreign firms have been reluctant to establish factories or develop contacts in outlying areas lacking adequate economic infrastructure to sustain profitable activities.

Finally, there is the question of self-efficacy, the perception by the firm management of its company's ability to change government policies. The question asked the two hundred forty-five firms and associations was, "How effective do you believe that your company (org.) has been in gaining desired changes in government policies?"

Very effective?

Quite effective?

Somewhat ineffective?

Ineffective?

Never tried?"

The majority reported their firms to be somewhat ineffective, to be ineffec-



tive, or as never having tried to influence government. The most effective in their own view were joint venture firms and the associations, along with respondents in some outlying states who apparently felt effective in dealing with local authorities (see table 6).

TABLE 6  
SELF-PERCEIVED EFFECTIVENESS  
(In percentages)

	Total firms	Association	Local	Foreign	Joint	Chinese	Other	Selangor	Rest
Very effective	6	12	4	6	11	4	9	4	8
Quite effective	25	59	24	23	37	22	37	24	30
Somewhat effective	34	12	39	19	23	42	14	25	40
Ineffective	21	18	20	29	16	22	18	25	16
Never tried	15	0	13	23	13	10	22	22	6

This was a rather remarkable admission of frustration on the part of a sample of the largest firms in Malaysia (similar results were gained from small firms in Penang). Among all groups of firms no types reported a majority feeling effective and in most cases the percentage was only about 30 to 40%.

One might ask whether there is a particular pattern of awareness, contact, and effectiveness among the groups concerned. An effort was made to see whether there was an interrelationship among these three variables and then to assess the composition of the groups concerned. A definite pattern did emerge.

1. Those with the highest contacts with political leaders tended to be better informed, cooperated with other firms to a greater extent, and had higher self perceptions of success. This was particularly true regarding those who had more frequent contacts with ministers, MPs, and senators. A declining pattern was maintained across respondents categorized as having high, medium, and low contacts.

2. Those who were able to participate directly or indirectly in federal government projects were more likely to be better informed and to cooperate with others, but there was no statistically significant difference between high and low respondents regarding contacts and perceptions of influence except that those with medium contacts tended to be less successful.

3. Those firms using nongovernmental groups for assistance were more likely to be informed and to work with others, but there were not important differences in the other categories.

4. Those with the highest perceptions of influence tended to be better informed, to have more frequent contacts with government, and to cooperate more with others.



## REASONS FOR MEANS OF INFLUENCE

We have noted the primary emphasis given to influencing the output as against the input elements of government in the Malaysian case. Our next task is to analyze the reasons for this pattern of influence. Fragmentary evidence from other Afro-Asian states tends to substantiate the style of interaction. Furthermore, we should comment that not all interest groups tend to act as does business in Malaysia, or elsewhere in Afro-Asia. Mass organizations, "official" groups such as civil servants and elements of political parties, as well as what have been called "whole life" interest groups (religious, racial, tribal, and communally oriented segments of society) may attempt to put pressure on the input functions of government, both within and without the system.<sup>4</sup> We are concentrating in this paper, however, on private interest groups, and most particularly upon economic organizations; and in this narrower framework four major explanatory factors related to primary influence on the output functions appear to be the most important: 1) attitudes toward interest group activity; 2) the precarious position of the private economic sector; 3) ownership of firms; and 4) other means of access to government. While all these elements are relevant in Malaysia, they have general validity for the rest of Afro-Asia, and are even more important in some other countries.

1. *Attitudes.* M. Esman has strongly asserted that Malaysia's civil service finds interference by politicians and interest groups less than attractive.<sup>5</sup> As in so many former colonies, the administrator in the past was the individual who both made the regulations and saw that they were followed. Rising business interests and political parties were suspect.

The danger civil servants see for Malaysia is that the petty and corrupt politics of aggressive individual and small-group interests may destroy both legitimate politics and administration. . . . Malaysia's civil servants distrust the political process of pressure, influence, and expedient bargaining, and they distrust as well the political role.<sup>6</sup>

In the case of Malaysia, large-scale manufacturing and commercial interests are relatively new (except for mines, plantations, and agency houses) and the economic and political role of large firms is still evolving.<sup>7</sup>

Malaysian firms themselves believe that it is "improper" for the private sector to attempt to influence the formulation of government policies. In interviews with Malaysian firm owners and managers, a number of respondents volunteered that they did not believe that firms should behave in this way. Not one respondent stated that he would attempt to engage in any pressure group activities to change the New Economic Policy, although a sizable minority were dissatisfied with some elements of the NEP.<sup>8</sup> At the same time, firms stated their willingness to attempt to influence laws and regulations that would affect their firms and 8% of the respondents (mostly

local Chinese) commented that they did not intend fully implementing the NEP, anyway.

In sum, attitudes of both civil servants and firms support a belief in the rightness of operating in an environment that generally precludes public efforts by private interest groups to influence government policies, but firms do attempt to get civil servants to interpret laws and regulations in their favor.

2. *Role of the private sector.* While the private sector is less vulnerable to government interference or seizure in Malaysia than in most Afro-Asian states, many intellectuals and politicians hold private enterprise in suspicion. The restrictive role of such suspicions is far more obvious in socialist countries, where the private sector is often considered as an unwelcome and sometimes temporary phenomenon, than in capitalist states. While ostensibly Malaysia is strongly in favor of the private sector, efforts to increase Malay ownership of the modern sector through the NEP and politically-oriented attacks on working conditions in factories have made non-Malay owned firms wary.<sup>9</sup> These attacks have come from the traditional right and the small socialist left, both of which have harassed industrial firms. Such criticism leads to caution against acting in ways which might engender public outcries against "improper" interference in politics.

3. *Ownership.* Wariness is understandable in light of the racial and national composition of major firms in Malaysia. The modern sector of the economy is dominated by two major groups. The largest with respect to its share in investments is the foreign investor. A combination of British, Japanese, American, Hong Kong, Singaporean, and other foreign managers' and owners' activities controls approximately two-thirds of the modern economic sector of Malaysia. Even though these firms tend to pay higher wages and make efforts to meet the Malay employment quota standards of the NEP,<sup>10</sup> they are frequently attacked by politicians and intellectuals. Given the now fashionable nature of criticism of multinationals in the third world, foreign companies are particularly careful not to appear to be interfering in Malaysia's political process. They do make vigorous efforts to get favorable treatment under the laws and often make representations to state and federal government over problems with infrastructure, visas, education for expatriate children, etc. Also, birthdays of national leaders bring large advertisements of congratulations and annual reports at times include praise of the country's political elite.

The other major group is the local Chinese, who are active at all levels of the economy, particularly in tin production, construction, and commercial enterprises from small family-based firms to large financial institutions. In spite of the statistically smaller role of the Chinese in the modern sector, as compared with foreigners (less than 30%), the majority of the

Malay community perceives them as dominating the local economy. In part this is because smaller Chinese firms are in more immediate contact with the poorer Malays, engaged as they are in small commercial activities such as stores, rice mills, theaters, restaurants, and so on. In the initial years of independence there was general agreement that the Malays would control the political and administrative life of the country while the Chinese would dominate the commercial sector. Since the racially-oriented riots of May 1969, the Malaysian political elite has sought to bring the Malays into the modern sector through government efforts. The stated goal is to have the Chinese and Indians own 40%, foreigners 30%, and Malays 30% of the modern enterprises. While no group is supposed to have total investments decline (because of expected economic growth), the largest increase is to be among the Malay, who now own approximately 2%. The combination of Malay perceptions of Chinese dominance and government programs to expand Malay participation in the economy makes the Chinese economic community careful about public political activity.

A further reason for caution among the Chinese has been a tendency for Chinese business to consider that political activities are not desirable. For many years the Chinese did not have full rights of citizenship and some Chinese felt themselves only temporary residents. Neither of these factors is now particularly relevant, but they have colored the attitudes of older Chinese merchants. This is especially true of the more traditional entrepreneurs who are not fully familiar with the new political-bureaucratic system.

It should be emphasized that neither the foreign nor the Chinese economic community is as vulnerable to attack as in most other South or Southeast Asian states. Malaysia remains eager to encourage foreign investment and offers a variety of incentives for industries considered desirable by the government. Also, the size of the Chinese population (approximately 37%) and efforts to establish a multi-national political system make them considerably more secure than most of their neighboring counterparts. These factors do not, however, make them invulnerable to attack from politicians across the political spectrum.

4. *Access.* We have noted a hesitancy to employ Western-style public interest group activities. In part this is due to opportunities to develop more private means of influence including personal contacts, putting prominent Malaysians on boards of directors, financial support, etc. These allow the knowledgeable firm representative to obtain government support through unobtrusive means. It should be emphasized that this pattern is far less important than in other Southeast Asian states such as Thailand, the Philippines, and Indonesia, where in previous years private financial "arrangements" between the public and private sectors were flagrant. In Thailand,

prior to the 1973 government change, it was normal practice for Chinese firms to put civil and military officials on their boards for the purposes of both protection and access. In Malaysia non-public contacts between the public and private sectors remain an important means of getting across the firm's point of view, but less frequently and with considerably less corruption than has been present in other Southeast Asian states. To the degree that such access is available, however, the "normal" means of pressure group activity is not necessary.

In sum, then, most large Malaysian firms find the American style of interest group politics dangerous, unattractive, or unnecessary. Their international or racial composition puts them in too vulnerable a position to participate publicly in influencing major government programs, even though government may have a significant impact on their business activities. It is only when the very existence of the firm is threatened that it moves into the public arena, and examples of such activities are rare. Moreover, the better managed firms have found public efforts to influence the input functions of government less vitally necessary than might be expected. The firm maintains regular means of obtaining knowledge of government policies and regulations, is in frequent contact with elements of the civil service, and has often found other, less public, means of obtaining redress of grievances.

The aforementioned pattern of interest group policies should not be taken to mean that firms are completely pleased with present arrangements. On the whole, however, they have been able to operate successfully in Malaysia with acceptable profits and less danger of expropriation than in most other South or Southeast Asian states. It should also be noted that the major complaints voiced by firms have been either incapable of redress through public action or not of a nature necessitating pressure on the administration. As an example, the major objection to the Malay quota system for employment cannot be openly attacked because of a constitutional prohibition against raising racial issues. On the other hand, the almost universal complaint against government red tape cannot easily be solved through parliamentary action, if it can be ameliorated at all.<sup>11</sup>

Finally, it is doubtful that this pattern of influence will change radically in the future. Firms feel increasingly vulnerable to political attack and the government is actively attempting to increase its own involvement in industry. Politicians now find baiting foreign and Chinese owned firms to be politically rewarding, and even greater caution is proving necessary now than previously. Nationalism is growing in Malaysia to add to difficulties, and government efforts to increase Malay ownership in the modern sector through buying into large companies raises the specter of future expropriation. All of this limits pressure on the input functions of government and demands greater reliance on employing influence on the output functions.

## NOTES

1. Of firms interviewed the following samples were obtained:

- A. Local 152, foreign 31, joint ownership 62;
- B. Selangor 121, Northern states 59, Negri Sembilan and Malacca 19, Johore 27, East Coast 19;
- C. Chinese ownership or associations 158, other 87;
- D. Primary Products 42, Western Trading 20, Asian Trading 43, Food Manufacturing 22, Engineering 22, Other Manufacturers 36, Services 19, Finance 24.

2. The NEP is a recent Malaysian government program which seeks to eradicate poverty and raise the economic and social standards of the Malay. See F. R. von der Mehden, "Communalism, Industrial Policy and Income Distribution in Malaysia," *Asian Survey* 15, No. 3 (March, 1975): 250-261.

3. The small percentage of Selangor firms is due to the large number of foreign firms based there.

4. Studies in other developing countries have shown the importance of mass organizations. See, for example, J. Silverstein, "Burmese and Malaysian Student Politics," *Journal of South-east Asian Studies* 1, No. 1 (March, 1970): 3-22; J. R. Gusfield, "Political Community and Group Interests in Modern India," *Pacific Affairs* 38, No. 2 (Summer, 1965): 123-141; T. Manirurwanam, "Group Interests in Pakistan Politics, 1947-58," *Pacific Affairs* 39, Nos. 1 and 2 (Spring-Summer, 1966): 83-98.

5. M. Esmen, *Administration and Development in Malaysia* (Ithaca: Cornell University Press, 1972), pp. 124-128.

6. *Ibid.* pp. 125-126.

7. In 1938 there were only 77 manufacturing concerns in the Federated Malay States employing more than ten workers, and in the Unfederated Malay States about 300 of all sizes and kinds, mostly producing for the local market. Kate Mitchell, *Industrialization of the Western Pacific* (New York: IPR, 1942), pp. 184-187. This grew to Secondary Industry firms totalling 139,619 employees in 1947 and 203,516 in 1957. The majority of firms, however, still employed less than 10 workers in 1957. E. L. Wheelwright, "Industrialization in Malaya," in *The Political Economy of Independent Malaya*, ed. T. H. Silcock (Berkeley, Calif.: University of California Press, 1963).

8. In part this reluctance is due to constitutional restrictions prohibiting attacks on basic assumptions upon which the Malaysian state is now founded.

9. See von der Mehden, "Communalism, Industrial Policy and Income Distribution in Malaysia."

10. The government has attempted to establish a policy of having firms reflect the national composition of the population at all levels. In practice this has meant efforts to install 40% quotas for Malays at least below the management level. *Ibid.*

11. Interestingly enough, spokesmen in company headquarters abroad are far more favorably impressed with the ease of doing business in Malaysia than are local managers. In part, this is due to more difficult problems in other countries and the distance from the nitty-gritty difficulties met by managers in the field.